

"An Act relating to the oil and gas properties production tax; and providing for an effective date."

COMMITTEE REPORT

3/26/75

HOUSE

FINANCE

Mr. Speaker:

Date 4-11-76

The Committee on RESOURCES has had HB 346

under consideration. A Majority of the members of the Committee

recommends it DO PASS

recommends it DO NOT PASS

recommends it DO PASS WITH ATTACHED AMENDMENT(S)

recommends it BE REPLACED WITH CS FOR HB 346 (same title) AND THAT
CS FOR HB 346 DO PASS

"and" recommends it BE REFERRED TO THE _____
COMMITTEE

reports it back WITHOUT RECOMMENDATION

"other"

Members signing the Majority report:

<u>Melvin Anderson</u>	<u>Richard</u>	<u>Leola E. Simonson</u>
<u>Alvin</u>	<u>Alvin</u>	_____
<u>_____</u>	<u>_____</u>	_____
<u>MILNE HERSHBERGER</u>	<u>_____</u>	_____

Members NOT concurring in the Majority report:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

_____ recommends:

Melvin Anderson Chairman

"An Act relating to the oil and gas properties production tax; effective date."

COMMITTEE REPORT

9

4/15/76

HOUSE

Mr. Speaker:

Date _____

The Committee on FINANCE has had HB 346

under consideration. A Majority of the members of the Committee

() recommends it DO PASS

() recommends it DO NOT PASS

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() recommends it BE REPLACED WITH CS FOR _____ AND THAT

CS FOR _____ DO PASS

() "and" recommends it BE REFERRED TO THE _____

COMMITTEE

() reports it back WITHOUT RECOMMENDATION

() "other"

Members signing the Majority report:

Members NOT concurring in the Majority report:

_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:
_____ recommends:

_____ Chairman

Original sponsor: Cowper

Offered: 4/15/76
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.55.010(a) is amended to read:

10 (a) There is levied upon the producer of oil or gas a tax based
11 upon a per cent of the gross value at the point of production [WELL] of
12 all oil or gas produced [REMOVED OR SOLD] from each lease or property
13 in the state, less the value of any part the ownership or right to which
14 is exempt from taxation. The tax is determined according to the follow-
15 ing schedules, and any part which is exempt from taxation is deducted
16 from the tax levied on a pro rata basis as to each production level tax
17 bracket:

18 (1) oil: based upon the total production from each
19 lease or property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the
20 calendar month in barrels, the tax is

21 (A) five per cent on the first 300 barrels of average
22 daily per well production;

23 (B) six per cent on the next 700 barrels of average
24 daily per well production;

25 (C) eight per cent on all production in excess of
26 1,000 barrels of average daily per well production;

27 (2) gas: the tax is four per cent of the gross value
28 at the point of production of the gas and liquid products produced
29 each month.

1 * Sec. 2. AS 43.55.015(a) is amended to read:

2 (a) There is levied upon the producer of oil a tax on each barrel
3 of oil produced [REMOVED OR SOLD] from each lease or property in the
4 state less any part the ownership or right to which is exempt from taxa-
5 tion. The tax is based upon the total production from each lease or
6 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
7 in barrels determined according to the following schedule and any part
8 which is exempt from taxation is deducted from the tax levied on a pro
9 rata basis as to each production level bracket:

10 (1) \$.16875 on each of the first 300 barrels of average
11 daily per well production;

12 (2) \$.2025 on each of the next 700 barrels of average
13 daily per well production;

14 (3) \$.2700 on each of the barrels [BARREL OF PRODUCTION]
15 in excess of 1,000 barrels of average daily per well production.

16 * Sec. 3. AS 43.55.020(a) is amended to read:

17 (a) The gross production tax on oil or gas shall be paid monthly.
18 The tax is due on the last day of each calendar month on oil or gas
19 produced [REMOVED OR SOLD] from each lease or property during the pre-
20 ceding month. If the tax is not paid before the end of the month in
21 which it becomes due the tax becomes delinquent.

22 * Sec. 4. AS 43.55.020(e) is amended to read:

23 (e) Gas produced and used, except gas used in the operation of
24 a lease or property in drilling for or producing oil or gas, or for
25 repressuring, is considered, for the purpose of this chapter and in the
26 amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

27 * Sec. 5. AS 43.55.030(a)(1), (3) and (4) are amended to read:

28 (1) a description of the lease or property from which the
29 oil or gas was produced [REMOVED OR SOLD], by name, legal description,

1 lease number or by accounting code numbers assigned by the department;

2 (3) the gross amount of oil or gas produced [REMOVED OR
3 SOLD] from the lease or property, and the percentage of the gross
4 amount owned by each producer for whom the tax is paid;

5 (4) the total value of the oil or gas produced [REMOVED OR
6 SOLD] from the lease or property owned by each producer for whom the
7 tax is paid; and

8 * Sec. 6. AS 43.55.140 is amended by adding new paragraphs to read:

9 (12) "gross value at the point of production" means:

10 (A) for oil, the value of the oil at the point where
11 it is metered or measured (by automatic custody transfer meter,
12 tank gauge or other method approved by the commissioner) in a
13 condition of pipeline quality on the premises of the lease or
14 property from which it is recovered; however, if the oil is not
15 of pipeline quality when it is removed from the premises of the
16 lease or property from which it is recovered, or if the oil
17 recovered from a lease or property is not metered or measured
18 (by automatic custody transfer meter, tank gauge or other method
19 approved by the commissioner) on the premises of the lease or
20 property from which it is recovered, then the gross value at the
21 point of production is the value of that oil at the off-premises
22 location where the oil is first metered or measured (by automatic
23 custody transfer meter, tank gauge or other method approved by
24 the commissioner) in a condition of pipeline quality;

25 (B) for gas recovered from or in association with oil,
26 the value of the gas at the point where it is accurately metered
27 or measured after separation from the oil; for gas run through a
28 gas processing plant, the gross value at the point of production
29 is the full consideration received by the producer for the gas

1 if sold in an arm's length transaction or, in the absence of an
2 arm's length transaction, is the sum of the value of the liquids
3 extracted from the gas at the plant and the value of the residue
4 gas, less a reasonable allowance for processing the gas at the
5 plant and for transporting the gas to the plant from the premises
6 upon which the oil production operation is conducted; and

7 (C) for gas not recovered from or in association with
8 oil, the value of the gas at the point where it is accurately
9 metered or measured or the value of the gas at the point of sale,
10 if any, on the premises of the lease or property from which the
11 gas is recovered, whichever is the higher value; for gas run
12 through a gas processing plant, the gross value at the point of
13 production is the full consideration received by the producer
14 for the gas if sold in an arm's length transaction or, in the
15 absence of an arm's length transaction, is the sum of the value
16 of the liquids extracted from the gas at the plant and the value
17 of the residue gas, less a reasonable allowance for processing
18 the gas at the plant and for transporting the gas to the plant
19 from the point where it was accurately metered or measured;

20 (13) "oil production operation" means the operation by which
21 oil is recovered from a lease or property and rendered into oil of
22 pipeline quality, and includes any gathering done before the oil is
23 finally rendered into oil of pipeline quality;

24 (14) "pipeline quality" means good and marketable condition;

25 (15) "average daily per well production" means the amount
26 calculated by first dividing the total number of barrels of oil pro-
27 duced from a lease or property during the calendar month by the total
28 number of wells on the lease or property that were produced for at
29 least 25 per cent of the time there was production from the lease or

1 property during the calendar month and then dividing that quotient by
2 the number of days in the calendar month.

3 * Sec. 7. AS 43.55.140(10) and (11) are repealed.

4 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-
5 070(c).

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Introduced: 3/26/75
Referred: Resources and
Finance

1 IN THE HOUSE

BY COWPER

2 HOUSE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.55.010(a) is amended to read:

10 (a) There is levied upon the producer of oil or gas a tax based
11 upon 2 per cent of the gross value at the point of production [AT THE
12 WELL] of all oil or gas produced [REMOVED OR SOLD] from each lease or
13 property in the state, less the value of any part the ownership or right
14 to which is exempt from taxation. The tax is determined according to
15 the following schedules, and any part which is exempt from taxation
16 is deducted from the tax levied on a pro rata basis as to each produc-
17 tion level tax bracket:

18 (1) oil: based upon the average daily production for each
19 well for the calendar month in barrels, the tax is

20 (A) five per cent on the first 300 barrels;

21 (B) six per cent on the next 700 barrels;

22 (C) eight per cent on all production in excess of
23 1,000 barrels;

24 (2) gas: the tax is four per cent of the gross value at
25 the point of production of the gas and liquid products produced each
26 month.

27 * Sec. 2. AS 43.55.015(a) is amended to read:

28 (a) There is levied upon the producer of oil a tax on each
29 barrel of oil produced [REMOVED OR SOLD] from each lease or property

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2 from taxation. The tax is based upon the average daily production for
3 each well for the calendar month in barrels determined according to
4 the following schedule and any part which is exempt from taxation is
5 deducted from the tax levied on a pro rata basis as to each production
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7 (1) \$.16875 on each of the first 300 barrels;

8 (2) \$.2025 on each of the next 700 barrels;

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10 barrels. ✓

11 * Sec. 3. AS 43.55.020(a) is amended to read:

12 (a) The gross production tax on oil or gas shall be paid monthly.
13 The tax is due on the last day of each calendar month on oil or gas
14 produced [REMOVED OR SOLD] from each lease or property during the pre-
15 ceding month. If the tax is not paid before the end of the month in
16 which it becomes due the tax becomes delinquent.

17 * Sec. 4. AS 43.55.020(e) is amended to read:

18 (e) Gas produced and used, except gas used in the operation of
19 a lease or property in drilling for or producing oil or gas, or for
20 repressuring, is considered, for the purpose of this chapter and in the
21 amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

22 * Sec. 5. AS 43.55.030(a)(1), (3) and (4) are amended to read:

23 (1) a description of the lease or property from which the
24 oil or gas was produced [REMOVED OR SOLD], by name, legal description,
25 lease number or by accounting code numbers assigned by the department;

26 (3) the gross amount of oil or gas produced [REMOVED OR
27 SOLD] from the lease or property, and the percentage of the gross
28 amount owned by each producer for whom the tax is paid;

29 (4) the total value of the oil or gas produced [REMOVED OR

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2 tax is paid; and

3 * Sec. 6. AS 43.55.140 is amended by adding new paragraphs to read:

4 (12) "gross value at the point of production" means:

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7 tank gauge or other method approved by the commissioner) in a
8 condition of pipeline quality on the premises of the lease or
9 property from which it is recovered; however, if the oil is not
10 of pipeline quality when it is removed from the premises of the
11 lease or property from which it is recovered, or if the oil
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14 approved by the commissioner) on the premises of the lease or
15 property from which it is recovered, then the gross value at the
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17 location where the oil is first metered or measured (by automatic
18 custody transfer meter, tank gauge or other method approved by
19 the commissioner) in a condition of pipeline quality;

20 (B) for gas recovered from or in association with oil,
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22 or measured after separation from the oil; for gas run through a
23 gas processing plant, the gross value at the point of production
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25 if sold in an arm's length transaction or, in the absence of an
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27 extracted from the gas at the plant and the value of the residue
28 gas, less a reasonable allowance for processing the gas at the
29 plant and for transporting the gas to the plant from the premises

1 upon which the oil production operation is conducted; and

2 (C) for gas not recovered from or in association with
3 oil, the value of the gas at the point where it is accurately
4 metered or measured or the value of the gas at the point of sale,
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16 oil is recovered from a lease or property and rendered into oil of
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20 * Sec. 7. AS 43.55.140(10) and (11) are repealed.

21 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.

22 070(c).
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ALASKA STATE LEGISLATURE

NINTH Legislature FIRST Session

HOUSEBILL..... NO. 346..

By COWPER.....

"An Act relating to the oil and gas properties production tax; and providing for an effective date."

Oil&gas prop. tax

Introduced in the House 3/26/ 19. 75

HISTORY IN THE HOUSE

19 75	Read first time and referred to Committee on												
Mar 26	Resources and Finance												
	Reported back with recommendation that												
	Read second time and												
	Read third time and												
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Excused	Excused												
	Reported correctly engrossed												
	Signed by Speaker												
	Sent to Senate												
CHIEF CLERK OF THE HOUSE													

HISTORY IN THE SENATE

19	Read first time and referred to Committee on												
	Reported back with recommendation that												
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	Reported correctly engrossed												
	Signed by President												
	Returned to House												
SECRETARY OF THE SENATE													

HISTORY IN THE HOUSE

19	Received from Senate
	Reported correctly enrolled
	Sent to Governor
 By Governor
	Filed with Lt. Governor
	Chapter No.

Introduced: 3/26/75
Referred: Resources and
Finance

1 IN THE HOUSE

BY COWPER

2 HOUSE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - FIRST SESSION

5 A BILL

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11 upon a per cent of the gross value at the point of production [AT THE
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13 property in the state, less the value of any part the ownership or right
14 to which is exempt from taxation. The tax is determined according to
15 the following schedules, and any part which is exempt from taxation
16 is deducted from the tax levied on a pro rata basis as to each produc-
17 tion level tax bracket:

18 (1) oil: based upon the average daily production for each
19 well for the calendar month in barrels, the tax is

20 (A) five per cent on the first 300 barrels;

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23 1,000 barrels;

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25 the point of production of the gas and liquid products produced each
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3 each well for the calendar month in barrels determined according to
4 the following schedule and any part which is exempt from taxation is
5 deducted from the tax levied on a pro rata basis as to each production
6 level bracket:

- 7 (1) \$.16875 on each of the first 300 barrels;
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21 amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

22 * Sec. 5. AS 43.55.030(a)(1), (3) and (4) are amended to read:

23 (1) a description of the lease or property from which the
24 oil or gas was produced [REMOVED OR SOLD], by name, legal description,
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5 (A) for oil, the value of the oil at the point where
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Introduced: 3/26/75
Referred: Resources and
Finance

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15 ceding month. If the tax is not paid before the end of the month in
16 which it becomes due the tax becomes delinquent.

17 * Sec. 4. AS 43.55.020(e) is amended to read:

18 (e) Gas produced and used, except gas used in the operation of
19 a lease or property in drilling for or producing oil or gas, or for
20 repressuring, is considered, for the purpose of this chapter and in the
21 amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

22 * Sec. 5. AS 43.55.030(a)(1), (3) and (4) are amended to read:

23 (1) a description of the lease or property from which the
24 oil or gas was produced [REMOVED OR SOLD], by name, legal description,
25 lease number or by accounting code numbers assigned by the department;

26 (3) the gross amount of oil or gas produced [REMOVED OR
27 SOLD] from the lease or property, and the percentage of the gross
28 amount owned by each producer for whom the tax is paid;

29 (4) the total value of the oil or gas produced [REMOVED OR

1 SOLD] from the lease or property owned by each producer for whom the
2 tax is paid; and

3 * Sec. 6. AS 43.55.140 is amended by adding new paragraphs to read:

4 (12) "gross value at the point of production" means:

5 (A) for oil, the value of the oil at the point where
6 it is metered or measured (by automatic custody transfer meter,
7 tank gauge or other method approved by the commissioner) in a
8 condition of pipeline quality on the premises of the lease or
9 property from which it is recovered; however, if the oil is not
10 of pipeline quality when it is removed from the premises of the
11 lease or property from which it is recovered, or if the oil
12 recovered from a lease or property is not metered or measured
13 (by automatic custody transfer meter, tank gauge or other method
14 approved by the commissioner) on the premises of the lease or
15 property from which it is recovered, then the gross value at the
16 point of production is the value of that oil at the off-premises
17 location where the oil is first metered or measured (by automatic
18 custody transfer meter, tank gauge or other method approved by
19 the commissioner) in a condition of pipeline quality;

20 (B) for gas recovered from or in association with oil,
21 the value of the gas at the point where it is accurately metered
22 or measured after separation from the oil; for gas run through a
23 gas processing plant, the gross value at the point of production
24 is the full consideration received by the producer for the gas
25 if sold in an arm's length transaction or, in the absence of an
26 arm's length transaction, is the sum of the value of the liquids
27 extracted from the gas at the plant and the value of the residue
28 gas, less a reasonable allowance for processing the gas at the
29 plant and for transporting the gas to the plant from the premises

1 upon which the oil production operation is conducted; and

2 (C) for gas not recovered from or in association with
3 oil, the value of the gas at the point where it is accurately
4 metered or measured or the value of the gas at the point of sale,
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6 gas is recovered, whichever is the higher value; for gas run
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11 of the liquids extracted from the gas at the plant and the value
12 of the residue gas, less a reasonable allowance for processing
13 the gas at the plant and for transporting the gas to the plant
14 from the point where it was accurately metered or measured;

15 (13) "oil production operation" means the operation by which
16 oil is recovered from a lease or property and rendered into oil of
17 pipeline quality, and includes any gathering done before the oil is
18 finally rendered into oil of pipeline quality;

19 (14) "pipeline quality" means good and marketable condition.

20 * Sec. 7. AS 43.55.140(10) and (11) are repealed.

21 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.
22 070(c).
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Original sponsor: Cowper

Offered: 4/15/76
Referred: Finance

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2 CS FOR HOUSE BILL NO. 346

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 NINTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the oil and gas properties pro-
7 duction tax; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 43.55.010(a) is amended to read:

10 (a) There is levied upon the producer of oil or gas a tax based
11 upon a per cent of the gross value at the point of production [WELL] of
12 all oil or gas produced [REMOVED OR SOLD] from each lease or property
13 in the state, less the value of any part the ownership or right to which
14 is exempt from taxation. The tax is determined according to the follow-
15 ing schedules, and any part which is exempt from taxation is deducted
16 from the tax levied on a pro rata basis as to each production level tax
17 bracket:

18 (1) oil: based upon the total production from each
19 lease or property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the
20 calendar month in barrels, the tax is

21 (A) five per cent on the first 300 barrels of average
22 daily per well production;

23 (B) six per cent on the next 700 barrels of average
24 daily per well production;

25 (C) eight per cent on all production in excess of
26 1,000 barrels of average daily per well production;

27 (2) gas: the tax is four per cent of the gross value
28 at the point of production of the gas and liquid products produced
29 each month.

1 * Sec. 2. AS 43.55.015(a) is amended to read:

2 (a) There is levied upon the producer of oil a tax on each barrel
3 of oil produced [REMOVED OR SOLD] from each lease or property in the
4 state less any part the ownership or right to which is exempt from taxa-
5 tion. The tax is based upon the total production from each lease or
6 property [AVERAGE DAILY PRODUCTION FOR EACH WELL] for the calendar month
7 in barrels determined according to the following schedule and any part
8 which is exempt from taxation is deducted from the tax levied on a pro
9 rata basis as to each production level bracket:

10 (1) \$.16875 on each of the first 300 barrels of average
11 daily per well production;

12 (2) \$.2025 on each of the next 700 barrels of average
13 daily per well production;

14 (3) \$.2700 on each of the barrels [BARREL OF PRODUCTION]
15 in excess of 1,000 barrels of average daily per well production.

16 * Sec. 3. AS 43.55.020(a) is amended to read:

17 (a) The gross production tax on oil or gas shall be paid monthly.
18 The tax is due on the last day of each calendar month on oil or gas
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21 which it becomes due the tax becomes delinquent.

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26 amount used, as gas produced [REMOVED OR SOLD] from a lease or property.

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4 gas, less a reasonable allowance for processing the gas at the
5 plant and for transporting the gas to the plant from the premises
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27 duced from a lease or property during the calendar month by the total
28 number of wells on the lease or property that were produced for at
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2 the number of days in the calendar month.

3 * Sec. 7. AS 43.55.140(10) and (11) are repealed.

4 * Sec. 8. This Act takes effect immediately in accordance with AS 01.10.-

5 070(c).

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Original sponsor: Cowper

Offered: 4/15/76
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3 IN THE LEGISLATURE OF THE STATE OF ALASKA

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THE LEGISLATURE OF THE STATE OF ALASKA
FISCAL NOTE
Second Session - Ninth Legislature

I. REQUEST

Bill No. CSHB 346
 Title: Act relating to oil and gas properties production tax
 Requested by: _____ Date: _____
 Return Date Requested: _____
 Agency: Revenue Program: Petroleum Revenue Division

II. FISCAL DETAIL

Budget Request Unit(s) Affected: Petroleum Revenue

A. EXPENDITURES: (Thousands of dollars)

OBJECT	FY 76	FY 77	FY 78	FY 79	FY 80	FY 81
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
TOTAL	None	None	None	None	None	None

B. FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						

C. POSITIONS:

PERMANENT/TEMPORARY	/	/	/	/	/	/
MAN MONTHS (P./T.)	/	/	/	/	/	/

III. ANALYSIS (See Fiscal Note Preparation Instructions, Section III)

The Bill would facilitate the present administration of AS 43.55, making the tax fully auditable for the first time. However, the averaging provision which allows full auditing will also reduce revenues from AS 43.55 by about 5% to 10% from what they would be under the present law. To compensate for this, the tax rates could be raised (as they are in CSSB 295, which has the same technical improvements in AS 43.55 as are in CSHB 346).

IV. ATTACHMENTS

V. DATE: April 30, 1976 PREPARED BY: Thomas K. Williams, Director
 Petroleum Revenue Division

Original: Legislative Finance
 cc: Budget and Management
 Prime Sponsor (First Legislator Named)

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FEDERAL FUNDS						
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